

Institution **CIOT - CTA**  
Course **Adv Tech Cross-Border Envrmt Taxes**

Event **NA**

Exam Mode **OPEN LAPTOP + NETWORK**

Exam ID

Count (s)	Word (s)	Char (s)	Char (s) (WS)
Section 1	<b>755</b>	<b>3437</b>	<b>4176</b>
Section 2	<b>663</b>	<b>2963</b>	<b>3606</b>
Section 3	<b>510</b>	<b>2267</b>	<b>2764</b>
Section 4	<b>281</b>	<b>1358</b>	<b>1633</b>
Section 5	<b>450</b>	<b>2282</b>	<b>2721</b>
Section 6	<b>569</b>	<b>2743</b>	<b>3300</b>
Total	<b>3228</b>	<b>15050</b>	<b>18200</b>

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Answer-to-Question- \_1\_

Currently, all of Litopa's sales are taxable in the UK at the standard rate of 20% as the clothing is within the UK at the time of purchase and being sent to customers within the UK.

Customs duty and import VAT would have been payable by Litopa at the time the goods were imported into the UK as they are not using any customs warehousing procedure. Litopa will already have a GB EORI number which will be included in the import SAD where they are importing these goods from China. The duty can be deferred if Litopa uses a duty deferment account and instead would be payable on the 15th of the calendar month following the month in which the goods are imported. Assuming that Litopa is VAT registered, in order to recover the import VAT, Litopa will include this with its recoverable input VAT in its quarterly VAT return and evidence with C79 certificates. To improve cashflow, Litopa could instead register for postponed import VAT accounting and both declare and recover the import VAT on the same VAT return for the period in which the goods are imported.

EU Sales

Litopa is making distance sales into the EU from outside of the EU as its warehouse and so establishment is in England and not Northern Ireland.

As Litopa is acting as importer of record, it will be responsible for accounting for any customs duty or import VAT due at the time of import. As there is no substantial processing occurring to the clothing in the UK, their place of origin when declaring for import into the EU will remain China.

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Exports from the UK can be zero rated for VAT purposes provided that Litopa is obtains sufficient official or commercial evidence that the goods have left the UK within 3 months of the date of export.

For low value consignments under €150, there will be no customs duty or import VAT payable on import. The value of the consignment should be based on the customs value which includes the cost for the goods to reach the EU, and so includes the cost of shipping and insurance up to the entry into the EU.

Under the special scheme for distance sales from non-EU countries, the tax point for distance sales into the EU is the date on which payment is received. Litopa would register in an EU member state for the use of the OSS and declare all distance sales on the single one stop shop return, including details of the VAT due on sales in each territory.

Litopa will need to make use of a section 98 claim to recover any VAT it incurs within each EU member states subject to the local deadlines and minimum claim limits.

### Rest of Europe Sales

With respect of sales to the rest of Europe, Litopa will be able to zero rate these exports within the UK subject to the evidence conditions as above. Litopa should seek local VAT advice in relation to the VAT treatment and registration requirements of the import and delivery of these goods to individuals. It is likely that Litopa would need to register for VAT locally in order to recover any import VAT incurred and to account for any VAT due on the onward sale once the goods have been imported.

### Returns

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Litopa will need to account for customs duty and import VAT when reimporting any returned goods. To mitigate this, they can take advantage of returned goods relief which will allow full relief from import duties. To qualify for this, the goods should be the same as goods which were previously exported and be in the same condition in regards to having not undergone any further processing after leaving the UK.

### Storage and Fulfilment Warehouse

The rental of specific warehouse space is a land related supply which has a place of supply where the warehouse is located, and so within the UK. This would be an exempt supply of land. However, the B2B supply of services usually takes place where the recipient of the services belongs and so would be outside the scope of UK VAT.

In this case, the supply of warehouse space and fulfilment services is a single supply being made by Litopa to Jujup and so will follow a single VAT treatment. In this case, the supply being received by Jujup would be seen to be that of fulfilment services to which the warehouse space is ancillary and so the supply would be outside the scope of UK VAT.

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-----ANSWER-1-ABOVE-----  
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-----ANSWER-2-BELOW-----  
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Answer-to-Question- \_2\_

The liability to account for plastic packaging tax is with the business that either imports or manufactures finished plastic packaging components.

To be a chargeable plastic packaging component, the item must be made of more plastic than any other specified single material and contain less than 30% recycled plastic. This test must be carried out and recorded for at least a representative item of each product line, and so GB Chutney should ensure this is true of both the current plastic moulds and the special edition sets. These records should be kept for a minimum of 6 years from the end of the accounting period.

Records will need to be kept of the packaging produced, imported and exported by GB Chutney including its weight, the weight of plastic and other materials within each finished component, and the weight of recycled plastic within each component.

PPT returns are submitted calendar quarterly and the deadline for returns and payment is the last day of the following month. For the 2024/25 tax year PPT is due at a rate of £217.85 per tonne.

### Imported Plastic Moulds

These moulds are 42% recycled material and so would not be chargeable to plastic packaging tax. This is the case on the basis that the recycling was not organic and instead

by means of a chemical or manufacturing process.

Transport packaging used in bring goods into or out of the UK is also exempt from PPT.

The tax point for imported material is the date on which the customs procedure for import is complete.

#### Additional Material

The additional material will be produced by GB Chutney in the UK and is chargeable to PPT due to being a finished plastic packaging component which is less than 30% recycled material. The tax point will be the date on which the manufacture of the component is complete.

#### Exports from the UK

Where plastic packaging is used on goods leaving the UK, GB Chutney would be able to get a credit for the PPT paid. If it knows that the goods will be leaving the UK within 12 months at the point at which PPT is payable, then GB chutney would be able to defer the PPT due and so not pay unless the expected amount of goods does not leave the EU. Otherwise, GB Chutney would need to pay the PPT due and claim a credit for any that is exported to offset on its next PPT return.

#### June 2025

The PPT is due on the 12 tonnes manufactured in June, as GB Chutney will be using this over the next 12 months it does not yet know how much of this will be leaving the UK and so should claim the credit at the time of export rather than deferring.

12 tonnes \* £217.85 = £2,614.20 due on the June 2025 return.

25% \* £2,614.20 = £653.55 will be claimable as credit once the chutney is exported.

### PPT Registration

Where a business is aware that it will import or manufacture more than 10 tonnes of plastic packaging within the next 30 days or at the beginning of a month has done so within the past 12 months, it will be liable to register for PPT. This includes where the components are not chargeable to PPT due to their recycled plastic content and so GB Chutney will need to register in respect of the 14 tonnes which it will be ordering and the registration will take place when it makes this order on 1 June 2025. If it knows that it will be importing the packaging before this date then the liability will occur on the date that it is known or 30 days prior to import on 21 May 2025, which ever is later.

The registration can be completed online through GB Chutney's government gateway account.

It will most likely not have previously been required to register as 0.7 tonnes a month is less than 10 tonnes over a 12 month period.

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-----ANSWER-2-ABOVE-----  
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-----ANSWER-3-BELOW-----  
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Answer-to-Question- \_3\_

PSU is providing management services to Affumat SpA rather than a supply of staff over which Affumat has control. This is a B2B supply of services which is taxable where the recipient belongs. As such, any VAT due on these services will be accounted for by Affumat in Italy where it belongs.

#### Capsules

The smoking cessation product and placebo capsules will be subject to import VAT on entry to the UK at the standard rate of 20%. This import VAT is only recoverable by the owner of the goods at the time of import. In this case the products remain in the ownership of Affumat SpA and so Affumat would need to register for UK VAT if it wished to recover this. Affumat will need a GB EORI number in order to act as importer of record for the import of goods into the UK.

As the goods originate from Europe, these will likely be subject to customs duties at 0%.

#### Payments to participants

The individuals participating in the trial are not doing so in a business capacity and so the £20 payment they receive will be outside the scope of VAT.

#### GP Supervision



The GP's supervision of the trial is a supply which is being invoiced to PSU and makes up part of the management charges which are being onwardly supplied to Affumat. GSU is not acting as an agent in arranging for a supply to be made to Affumat by the GPs, and rather is receiving the supply in its own right.

The supply for the supervision of the GPs takes place wholly within the UK and will not be exempt from VAT under the health and welfare exemption as the provision of medical care. This is because the supply which is received by PSU is not healthcare. In the case of the non-placebo, the GPs will be making a supply of care to the participants in the study.

### Electronic Devices

The electronic devices which are leased from the Italian company will be subject to UK VAT under use and enjoyment provisions in respect of their use within the UK. The customs duty on these can be suspended under the temporary admission procedure on the basis that they will be re-exported within 2 years. The importer into the UK will need to apply for this and under partial relief duty will be charged at 3% of the duty due for each full or part month they remain in the UK. The customs procedure code for the temporary admission will need to be included in the SAD on import.

Certain items are eligible for full customs relief under temporary admissions procedure and this includes thjose which are for use in clinical trials. The import VAT will also be relieved under temporary admission where goods are elegible for full customs relief.

Customs duty will be due at the full rate on the devices which are scrapped at the time when they are destroyed or scrapped into the UK. This duty is based on their value at the

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time of import.

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-----ANSWER-3-ABOVE-----  
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-----ANSWER-4-BELOW-----  
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Answer-to-Question- \_4\_

Excise duties are ordinarily paid upon import into the UK. An excise warehouse can be used in order to suspend these duties until the point at which the vodka is released from the warehouse for sale within the UK market.

Apla will be acting as the warehouse keeper for Orne's warehouse and will need to be able to demonstrate to HMRC that it has the ability and resources to comply with recordkeeping and other compliance obligations.

When warehousing excise goods such as Vodka which is subject to alcohol duties, the warehousekeeper will need to ensure that goods are recorded on entry and kept in an identifiable area which is accessible should HMRC wish to inspect. Processes need to be in place to record any goods which are brought into, out of or destroyed within the excise warehouse with regular stocktaking of goods at least annually.

Before removing the excise goods, the warehouse keeper will need to be notified and the excise duty paid where this is released into the UK market. Evidence of any excise goods which are exported from the UK will also need to be provided and kept when these are removed from the warehouse. The rate of duty payable will be that in force at the time of their removal, therefore if the rate of duty has gone up since the time Orne imported this will result in an increased cost.

Certain operations such as the sorting, repackaging, denaturing or mixing of alcoholic

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products are allowed within the excise warehouse, however most processes will not be allowed.

The warehouse keeper will be required to complete warehouse returns keeping stock of any excise goods within the warehouse each month.

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-----ANSWER-4-ABOVE-----  
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-----ANSWER-5-BELOW-----  
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Answer-to-Question- \_5\_

Having AEOC status allows for reduced compliance checks and so quicker import procedures as well as a reduction in the guarantee that is required to utilise certain customs procedures. If the AEOC status is revoked then it will be subject to customs controls on all of its imports and so more time will be taken for these to be allowed entry into the UK. It may also lose its ability to use a duty deferment account and so would need to pay customs duties at the time of import before they are released.

#### Aberdeen

HMRC has identified a lack of security controls in relation to the unexplained losses within the customs warehouse. An internal audit will need to be carried out to ensure that adequate systems are in place to prevent fraud and thefts.

As the customs warehouse is operated by GBlecky, they are responsible for ensuring that correct records are kept of the amount, value and location of all stock within the warehouse. They should be carrying out checks with the suppliers to ensure that the amount of goods declared on import documentation matches those shown on the invoice. GBlecky should set up an automated system on their record keeping software to alert them of any discrepancy between different documents and ensure that they record reasoning where non-matches are found.

#### Manchester

GBlecky have already provided additional training to its employees in relation to the documented procedures which are not being carried out. This suggests that either the training pprovided was inadequate or the issue is not due to a lack of training. GBlecky should update its processes to prevent staff from claiming preferential duties within recording evidence that procedures have been carried out. This may require providing more supervision to staff so that a higher level of sign off is required before import declarations are completed.

GBlecky should document these procedures and training and be able to evidence this to HMRC to show that they have put in place apporprate systems to resolve all of the issues found.

To prevent the suspension and revocation of GBlecky's AEO authorisations it will need to ensure that all of its sites and systems are subject to sufficient controls to prevent issues from reoccurring.

### Freeport

HMRC will only authorise a business as a freeport business where it is able to demonstrate a good history of compliance with customs law. The issues which HMRC have identified demonstrate that GBlecky has not been compliant with all record keeping and systems control obligations in relation to imports subject to customs duty and so will likely prevent GBlecky from recieving the required authorisation.

GBlecky should notify HMRC that it wishes to establish a Freeport business in writing.

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-----ANSWER-5-ABOVE-----

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-----ANSWER-6-BELOW-----  
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Answer-to-Question- \_6\_

NIByco is established in Northern Ireland and so will be subject to EU customs rules where goods are seen as being at risk for movement into the EU. This will be the case for the bicycles as the difference in duty rate between UK and EU sales is at least 3%.

#### Registration Period

The purpose of the registration period is to monitor imports of bikes from Malaysia and to see whether there is an increase of these products being dumped. If it is the case that rules around imports from China are being circumvented, this will be demonstrated by an equivalent uptick in products from Malaysia.

It seems likely that ChiWheels is circumventing the anti-dumping duty with Chinese-originating products as it has immediately moved production to a new subsidiary outside of Malaysia now that regulations have been brought in which will effect its goods.

One potential outcome of the registration period is that similar anti-dumping duty regulations are brought in in the EU in relation to bikes imported from Malaysia. The EU may also seek to penalise certain businesses which have been found to circumvent the rules such as by placing a prohibition on the import of their bikes.

#### Risks and Commercial Decisions



When there is an increase in the rate of import taxes in relation to products from a certain country, NIByco would be expected to consider the impact this has on the cost of its products and whether it is commercially feasible to continue production of its products in that territory.

NIByco will need to satisfy itself that any goods it imports are produced in the country of origin that is stated, such as by obtaining a Certificate of Origin as was provided by BanglaBike. Having the origin of the goods certified by the customs authority where they are produced allows NIByco to have certainty that they are able to rely on the information provided by their suppliers.

In particular, in the case where the country of supply is changed in respect of new legislation, a business should ensure that it carries out checks as to the accuracy of any information provided by its supplier so as to not be involved in any facilitation of tax evasion.

The origin of goods will be the location in which the last significant economically justified process takes place, and so NIByco will need to ensure that the goods are actually subject to an economically justified process in Malaysia and the bikes are not in reality fully manufactured in China with minor processing in Malaysia. If NIByco is unsure as to the correct origin of goods once it has all of the relevant information from its suppliers then it can apply to HMRC for a ruling on the origin of the goods and then rely on this for up to 3 years subject to any changes in legislation.

When claiming preference, there are stricter place of origin requirements and the last place of processing will not modify the location that the goods actually originate from.

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NIByco will need to consider the commerciality not just of paying increases importation taxes but also of their ability to perform sufficient checks both in terms of the cost and time that this will take. It will also need to consider the penalties and possible criminal and civil proceedings if it makes import declarations without taking the proper care to ensure that all details are correct.